

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

Oct. 18, 2021
Date

Honorable Dan Patrick
President of the Senate

Honorable Dade Phelan
Speaker of the House of Representatives

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on SB 1 have had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

<u>Paul Bettencourt</u> BETTENCOURT	<u>Meyer</u> MEYER
<u>Brandon Creighton</u> CREIGHTON	<u>Greg Bonnen</u> BONNEN
<u>J. W. Kolshorst</u> KOLSHORST	<u>Angie Chen Butten</u> BUTTON
<u>Adrian Lucio Jr</u> LUCIO	<u>Phil Guillen</u> GUILLEN
<u>Charles Perry</u> On the part of the Senate PERRY	<u>Phil Perry</u> On the part of the House Raymond

Note to Conference Committee Clerk:

Please type the names of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

3rd Printing

S.B. No. 1

A BILL TO BE ENTITLED

AN ACT

relating to an increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district and the protection of school districts against the resulting loss in local revenue.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 11.13(b), Tax Code, is amended to read as follows:

(b) An adult is entitled to exemption from taxation by a school district of \$40,000 [~~\$25,000~~] of the appraised value of the adult's residence homestead, except that only \$5,000 of the exemption applies to an entity operating under former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code.

SECTION 2. Section 46.071, Education Code, is amended by amending Subsections (a), (b), and (c) and adding Subsections (a-1), (b-1), and (c-1) to read as follows:

(a) Beginning with the 2015-2016 school year and continuing through the 2021-2022 school year, a school district is entitled to additional state aid under this subchapter to the extent that state and local revenue used to service debt eligible under this chapter is less than the state and local revenue that would have been available to the district under this chapter as it existed on September 1, 2015, if the increase in the residence homestead

1 exemption under Section 1-b(c), Article VIII, Texas Constitution,
2 and the additional limitation on tax increases under Section 1-
3 b(d) of that article as proposed by S.J.R. 1, 84th Legislature,
4 Regular Session, 2015, had not occurred.

5 (a-1) Beginning with the 2022-2023 school year, a school
6 district is entitled to additional state aid under this subchapter
7 to the extent that state and local revenue used to service debt
8 eligible under this chapter is less than the state and local
9 revenue that would have been available to the district under this
10 chapter as it existed on September 1, 2021, if any increase in the
11 residence homestead exemption under Section 1-b(c), Article VIII,
12 Texas Constitution, as proposed by the 87th Legislature, 3rd Called
13 Session, 2021, had not occurred.

14 (b) Subject to Subsections (c), (d), and (e) ~~[(e)-(e)]~~,
15 additional state aid under this section through the 2021-2022
16 school year is equal to the amount by which the loss of local
17 interest and sinking revenue for debt service attributable to the
18 increase in the residence homestead exemption under Section 1-
19 b(c), Article VIII, Texas Constitution, and the additional
20 limitation on tax increases under Section 1-b(d) of that article
21 as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015,
22 is not offset by a gain in state aid under this chapter.

23 (b-1) Subject to Subsections (c-1), (d), and (e), additional
24 state aid under this section beginning with the 2022-2023 school
25 year is equal to the amount by which the loss of local interest
26 and sinking revenue for debt service attributable to any increase
27 in the residence homestead exemption under Section 1-b(c), Article

1 VIII, Texas Constitution, as proposed by the 87th Legislature, 3rd
2 Called Session, 2021, is not offset by a gain in state aid under
3 this chapter.

4 (c) For the purpose of determining state aid under
5 Subsections (a) and (b) [~~this section~~], local interest and sinking
6 revenue for debt service is limited to revenue required to service
7 debt eligible under this chapter as of September 1, 2015, including
8 refunding of that debt, subject to Section 46.061. The limitation
9 imposed by Section 46.034(a) does not apply for the purpose of
10 determining state aid under this section.

11 (c-1) For the purpose of determining state aid under
12 Subsections (a-1) and (b-1), local interest and sinking revenue
13 for debt service is limited to revenue required to service debt
14 eligible under this chapter as of September 1, 2021, including
15 refunding of that debt, subject to Section 46.061. The limitation
16 imposed by Section 46.034(a) does not apply for the purpose of
17 determining state aid under this section.

18 SECTION 3. Subchapter F, Chapter 48, Education Code, is
19 amended by adding Section 48.2543 to read as follows:

20 Sec. 48.2543. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION.

21 (a) Beginning with the 2022-2023 school year, a school district
22 is entitled to additional state aid to the extent that state and
23 local revenue under this chapter and Chapter 49 is less than the
24 state and local revenue that would have been available to the
25 district under this chapter and Chapter 49 as those chapters
26 existed on September 1, 2021, if any increase in the residence
27 homestead exemption under Section 1-b(c), Article VIII, Texas

1 Constitution, as proposed by the 87th Legislature, 3rd Called
2 Session, 2021, had not occurred.

3 (b) The lesser of the school district's currently adopted
4 maintenance and operations tax rate or the adopted maintenance and
5 operations tax rate for the 2021 tax year is used for the purpose
6 of determining additional state aid under Subsection (a).

7 SECTION 4. The comptroller of public accounts may adopt rules
8 for the purpose of implementing and administering the changes in
9 law made by this Act, including rules relating to the form of
10 certain information required to be provided by tax officials and
11 the date on which the information must be provided.

12 SECTION 5. Section 11.13, Tax Code, as amended by this Act,
13 applies beginning with the 2022 tax year.

14 SECTION 6. (a) Except as provided by Subsection (b) of this
15 section:

16 (1) this Act takes effect on the date on which the
17 constitutional amendment proposed by the 87th Legislature, 3rd
18 Called Session, 2021, increasing the amount of the residence
19 homestead exemption from ad valorem taxation for public school
20 purposes is approved by the voters; and

21 (2) if that amendment is not approved by the voters,
22 this Act has no effect.

23 (b) Section 4 of this Act takes effect immediately if this
24 Act receives a vote of two-thirds of all the members elected to
25 each house, as provided by Section 39, Article III, Texas
26 Constitution. If this Act does not receive the vote necessary for
27 immediate effect, Section 4 of this Act takes effect on the 91st

1 day after the last day of the legislative session.

Senate Bill 1
Conference Committee Report
Section-by-Section Analysis

SENATE VERSION

HOUSE VERSION (IE)

CONFERENCE

[The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.]

No equivalent provision.

Same as Senate version.

SECTION 1. Section 11.13(b), Tax Code, is amended to read as follows:

(b) An adult is entitled to exemption from taxation by a school district of \$40,000 [~~\$25,000~~] of the appraised value of the adult's residence homestead, except that only \$5,000 of the exemption applies to an entity operating under former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code.

No equivalent provision.

Same as Senate version.

SECTION 2. Section 46.071, Education Code, is amended by amending Subsections (a), (b), and (c) and adding Subsections (a-1), (b-1), and (c-1) to read as follows:

(a) Beginning with the 2015-2016 school year and continuing through the 2021-2022 school year, a school district is entitled to additional state aid under this subchapter to the extent that state and local revenue used to service debt eligible under this chapter is less than the state and local revenue that would have been available to the district under this chapter as it existed on September 1, 2015, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by S.J.R. 1, 84th Legislature, 4 Regular Session, 2015, had not occurred

(a-1) Beginning with the 2022-2023 school year, a school district is entitled to additional state aid under this subchapter

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to the extent that state and local revenue used to service debt eligible under this chapter is less than the state and local revenue that would have been available to the district under this chapter as it existed on September 1, 2021, if any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 87th Legislature, 3rd Called Session, 2021, had not occurred.

(b) Subject to Subsections (c), (d), and (e) ~~[(e)-(e)]~~, additional state aid under this section through the 2021-2022 school year is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, is not offset by a gain in state aid under this chapter.

(b-1) Subject to Subsections (c-1), (d), and (e), additional state aid under this section beginning with the 2022-2023 school year is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 87th Legislature, 3rd Called Session, 2021, is not offset by a gain in state aid under this chapter.

(c) For the purpose of determining state aid under Subsections (a) and (b) ~~[this section]~~, local interest and

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sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of September 1, 2015, including refunding of that debt, subject to Section 46.061. The limitation imposed by Section 46.034(a) does not apply for the purpose of determining state aid under this section.

(c-1) For the purpose of determining state aid under Subsections (a-1) and (b-1), local interest and sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of September 1, 2021, including refunding of that debt, subject to Section 46.061. The limitation imposed by Section 46.034(a) does not apply for the purpose of determining state aid under this section.

[The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.]

SECTION 3. Subchapter F, Chapter 48, Education Code, is amended by adding Section 48.2543 to read as follows:
Sec. 48.2543. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION.

(a) Beginning with the 2022-2023 school year, a school district is entitled to additional state aid to the extent that state and local revenue under this chapter and Chapter 49 is less than the state and local revenue that would have been available to the district under this chapter and Chapter 49 as

No equivalent provision.

Same as Senate version.

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those chapters existed on September 1, 2021, if any increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 87th Legislature, 3rd Called Session, 2021, had not occurred.

(b) The lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2021 tax year is used for the purpose of determining additional state aid under Subsection (a).

[The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.]

No equivalent provision.

Same as Senate version.

SECTION 4. The comptroller of public accounts may adopt rules for the purpose of implementing and administering the changes in law made by this Act, including rules relating to the form of certain information required to be provided by tax officials and the date on which the information must be provided.

[The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.]

No equivalent provision.

Same as Senate version.

SECTION 5. Section 11.13, Tax Code, as amended by this Act, applies beginning with the 2022 tax year.

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Same as House version.

No equivalent provision.

SECTION 1. Subchapter F, Chapter 48, Education Code, is amended by adding Section 48.2555 to read as follows:

Sec. 48.2555. MAXIMUM COMPRESSED TAX RATE FOR 2022-2023 SCHOOL YEAR. (a) Notwithstanding any other provision of this title or Chapter 26, Tax Code, for the 2022-2023 school year, the commissioner shall calculate the value of a school district's maximum compressed tax rate by determining the district's maximum compressed rate under Section 48.2551 or 48.2552(b), if applicable, and reducing the tax rate determined under the applicable section by the amount by which the commissioner may reduce each district's maximum compressed tax rate by an equal amount using funds appropriated for the purpose of reducing each district's maximum compressed tax rate under this section.

(b) If a school district's maximum compressed tax rate as calculated under Subsection (a) would be less than 90 percent of another school district's maximum compressed tax rate under Subsection (a), the district's maximum compressed tax rate is the value at which the district's maximum compressed tax rate would be equal to 90 percent of the other district's maximum compressed tax rate.

(c) Notwithstanding any other provision of this title or Chapter 26, Tax Code, for purposes of determining funding for school districts for the 2022-2023 school year, a

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reference in any of the following provisions of law to a school district's maximum compressed tax rate or maximum compressed rate as determined under Section 48.2551 means the maximum compressed tax rate determined for the district under this section:

- (1) Sections 13.054(f) and (f-1);
- (2) Section 45.003(d);
- (3) Section 45.0032(a);
- (4) Section 48.051(a);
- (5) Sections 48.2553(a) and (e); and
- (6) Section 26.08(n), Tax Code.

(d) For purposes of Section 30.003(f-1), a reference in that section to Section 48.2551 includes this section.

(e) Notwithstanding any other provision of this title, for purposes of determining a school district's maximum compressed tax rate under Section 48.2551 for the 2023-2024 school year, the commissioner shall exclude the reduction in the district's maximum compressed tax rate under this section for the preceding school year from the value of the district's "PYMCR."

(f) This section expires September 1, 2024.

SECTION 2. Section 45.003, Education Code, is amended by adding Subsection (d-1) to read as follows:

(d-1) For the 2022 tax year, a school district may not adopt a total tax rate, including the district's maintenance tax rate and interest and sinking fund tax rate, that exceeds the district's voter-approval tax rate under Section 26.08(n), Tax

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Code, for the 2022 tax year. This subsection expires September 1, 2023.

SECTION 3. Section 26.08(b), Tax Code, is amended to read as follows:

(b) The governing body shall order that the election be held in the school district on the next uniform election date prescribed by Section 41.001, Election Code, that occurs after the date of the election order and that allows sufficient time to comply with the requirements of other law. At the election, the ballots shall be prepared to permit voting for or against the proposition: "Ratifying the ad valorem tax rate of ____ (insert adopted tax rate) in (name of school district) for the current year, a rate that will result in an increase of ____ (insert percentage increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year) percent in maintenance and operations tax revenue for the district for the current year as compared to the preceding year, which is an additional \$ ____ (insert dollar amount of increase in maintenance and operations tax revenue under the adopted tax rate as compared to maintenance and operations tax revenue in the preceding tax year). If the adopted tax rate is not ratified, the (name of school district) may not adopt a tax rate that exceeds ____ (insert the school district's voter-approval tax rate)."

No equivalent provision.

Same as House version.

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SECTION 4. Section 31.01, Tax Code, is amended by adding Subsections (d-2) and (d-3) to read as follows:

(d-2) The tax bill of a school district for the 2022 tax year or a separate statement accompanying the tax bill shall state:

(1) the difference between the amount of taxes that would have been imposed on the property by the district if the amount of the reduction in the district's maximum compressed tax rate under Section 48.2555, Education Code, were equal to zero and the amount of taxes actually imposed on the property by the district; and

(2) that any reduction in the tax rate of the district that results from the reduction of the district's maximum compressed tax rate under Section 48.2555, Education Code, applies only to the tax rate of the district for the 2022 tax year.

(d-3) The comptroller by rule shall specify the form of the statements required by Subsection (d-2). This subsection and Subsection (d-2) expire September 1, 2024.

No equivalent provision.

Same as House version.

SECTION 5. (a) Not later than June 1, 2022, the comptroller of public accounts shall prepare and provide to the legislature an update of the biennial revenue estimate prepared in accordance with Section 49a, Article III, Texas Constitution, and provided to the legislature in January 2021. The update must include the difference between the estimated balance of general revenue-related funds available for certification at the end of the state fiscal year ending August 31, 2023, as determined under:

No equivalent provision.

Same as House version.

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- (1) the update required under this subsection; and
- (2) the comptroller's biennial revenue estimate update provided to the legislature in August 2021.
- (b) In addition to other amounts appropriated to the Texas Education Agency for the state fiscal year ending August 31, 2023, an amount equal to the lesser of \$4 billion or the sum of \$2 billion and 50 percent of the amount, if any, by which the difference determined under Subsection (a) of this section exceeds \$500 million is appropriated from the general revenue fund to the agency for the state fiscal year ending August 31, 2023, for use in providing school district property tax relief by reducing each school district's maximum compressed tax rate under Section 48.2555, Education Code, as added by this Act.

No equivalent provision.

SECTION 1. (a) In this section, "COVID-19" means the 2019 novel coronavirus disease.

(b) The legislature finds that:

- (1) the widespread effects of COVID-19 in this state have resulted in a state of disaster being declared by the governor under Section 418.014, Government Code;
- (2) COVID-19 is a public calamity for the purposes of Section 51, Article III, Texas Constitution;
- (3) as part of the American Rescue Plan Act of 2021 (Pub. L. No. 117-2), the United States Congress established the Coronavirus State Fiscal Recovery Fund (42 U.S.C. Section 802) for the purpose of providing money to the states for certain purposes, including "to respond to the public health

Same as Senate version.

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emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households";

(4) ad valorem taxes imposed on households in this state are especially burdensome for this state's residents and the negative economic effects of COVID-19 have made it difficult for local governments to reduce the ad valorem tax burden; and

(5) previous state COVID-19 relief efforts have not adequately addressed the additional burden ad valorem taxes have imposed on households living in residence homesteads during the COVID-19 pandemic.

SECTION 2. Subchapter B, Chapter 403, Government Code, is amended by adding Section 403.03059 to read as follows:

Sec. 403.03059. AUTHORIZATION TO DISTRIBUTE CERTAIN FEDERAL ECONOMIC ASSISTANCE MONEY TO CERTAIN HOMEOWNERS. (a) The purpose of this section is to provide assistance to households in this state in response to the negative economic effects of the COVID-19 public health emergency by providing direct relief from ad valorem taxes to owners of eligible properties.

[FA1(1)]

(b) In this section, "eligible property" means a property that, as of March 1, 2022, received an exemption under Section 11.13, Tax Code, as reflected in the appraisal records in effect on that date. [FA1(2)]

No equivalent provision.

Same as Senate version.

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(c) Notwithstanding any other provision of this chapter, not later than September 1, 2022, or as soon thereafter as practicable, the comptroller shall issue to the owner of each eligible property a warrant in the amount calculated under Subsection (d) that is payable from money appropriated to the comptroller for that purpose. [FA1(3)]

(c-1) For purposes of Subsection (c), if the appraisal records reflect that an eligible property is owned by more than one person, the comptroller shall issue a single warrant payable to all of the joint owners of the property in the amount calculated under Subsection (d). [FA1(4)]

(d) The comptroller shall calculate the amount of the warrant by dividing the total amount of money appropriated to the comptroller for the purposes of this section by the total number of eligible properties. [FA1(5),(6)]

(e) On request by the comptroller, each appraisal district shall, not later than May 1, 2022, submit to the comptroller, in an electronic format specified by the comptroller, any information determined by the comptroller to be necessary to identify the owners of eligible properties for purposes of this section. This state and the comptroller are not liable for an error in the information provided to the comptroller under this subsection. [FA1(7),(8)]

(f) Sections 403.055 and 403.0551 of this code and Section 1.111(f), Tax Code, do not apply to a warrant issued under this section.

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(g) The information provided by an appraisal district to the comptroller under Subsection (e) is confidential and excepted from the requirements of Section 552.021.

(h) If a person who is not the owner of an eligible property, including the agent or mortgage servicer of an owner of eligible property, receives a payment issued under this section that is intended for the owner of an eligible property, the person shall forward the full amount of the payment, as well as any information that accompanied the payment, to the owner of the eligible property as soon as practicable.

[FA1(9)]

(i) The comptroller may adopt rules for the administration of this section. [FA1(10)]

(j) This section expires January 1, 2023.

No equivalent provision.

SECTION 3. (a) In this section, "committee" means the joint interim committee on property tax relief.

(b) The committee is established for the purpose of:

(1) conducting the study required under Subsection (h) of this section; and

(2) reporting the committee's findings to the legislature under Subsection (j) of this section.

(c) The committee is composed of 10 members as follows:

(1) the chair of the senate committee on finance;

(2) the chair of the senate committee on local government;

(3) the chair of the senate committee on education;

(4) two members of the senate appointed by the lieutenant governor;

Same as Senate version.

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- (5) the chair of the house committee on appropriations;
- (6) the chair of the house committee on ways and means;
- (7) the chair of the house committee on public education;
- and
- (8) two members of the house of representatives appointed by the speaker of the house of representatives.
- (d) The lieutenant governor shall appoint a co-chair of the committee from the members described by Subsections (c)(1)-(4) of this section, and the speaker of the house of representatives shall appoint a co-chair of the committee from the members described by Subsections (c)(5)-(8) of this section.
- (e) The lieutenant governor and the speaker of the house of representatives shall make the appointments required under Subsections (c) and (d) of this section not later than the 60th day after the effective date of this Act.
- (f) The committee shall meet at the joint call of the co-chairs.
- (g) The committee has all other powers and duties provided to a special committee by:
 - (1) Subchapter B, Chapter 301, Government Code;
 - (2) the rules of the senate and house of representatives; and
 - (3) the policies of the senate and house committees on administration.
- (h) The committee shall study matters relating to the burdens on property owners imposed by the current ad valorem tax structure in this state and identify potential solutions to reduce those burdens.

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[The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.]

- (i) The comptroller of public accounts and the Legislative Budget Board shall provide information to the committee necessary to conduct the study required under Subsection (h) of this section.
- (j) Not later than December 1, 2022, the committee shall:
 - (1) prepare a written report of the committee's findings, including recommendations for legislation; and
 - (2) submit the report described by Subdivision (1) of this subsection to the legislature.
- (k) The committee is abolished and this section expires January 1, 2023.

No equivalent provision.

SECTION 4. The amount of \$3,000,000,000 is appropriated to the comptroller of public accounts from money received by this state from the Coronavirus State Fiscal Recovery Fund (42 U.S.C. Section 802) established under the American Rescue Plan Act of 2021 (Pub. L. No. 117-2) and deposited to the credit of the Coronavirus Relief Fund No. 325 for the purpose of making the payments required by Section 403.03059, Government Code, as added by this Act, during the period beginning on the effective date of this Act and ending January 1, 2023.

Same as Senate version.

SECTION 6. This Act takes effect on the 91st day after the last day of the legislative session.

SECTION 5. *This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary*

SECTION 6. (a) *Except as provided by Subsection (b) of this section:*
(1) *this Act takes effect on the date on which the constitutional amendment proposed by the 87th Legislature, 3rd Called Session, 2021, increasing the*

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for immediate effect, this Act takes effect on the 91st day after the last day of the legislative session.

[The conference committee may have exceeded the limitations imposed on its jurisdiction, but only the presiding officer can make the final determination on this issue.]

amount of the residence homestead exemption from ad valorem taxation for public school purposes is approved by the voters; and

(2) if that amendment is not approved by the voters, this Act has no effect.

(b) Section 4 of this Act takes effect immediately if this Act receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, Section 4 of this Act takes effect on the 91st day after the last day of the legislative session.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATURE 3rd CALLED SESSION 2021

October 18, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1 by Bettencourt (relating to an increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district and the protection of school districts against the resulting loss in local revenue.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1, Conference Committee Report : a negative impact of (\$355,250,681) through the biennium ending August 31, 2023.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2022	\$0
2023	(\$355,250,681)
2024	(\$386,420,012)
2025	(\$413,306,071)
2026	(\$436,603,746)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Probable Revenue Gain/(Loss) from <i>Recapture Payments Atten Crdts</i> 8905
2022	\$0	\$0
2023	(\$355,250,681)	(\$83,951,561)
2024	(\$386,420,012)	(\$79,698,065)
2025	(\$413,306,071)	(\$103,988,170)
2026	(\$436,603,746)	(\$116,782,002)

Fiscal Analysis

The bill would amend the Tax Code to increase the mandatory homestead exemption for school districts from \$25,000 to \$40,000.

The bill would amend the Education Code to entitle districts to additional state aid (ASAHE) to the extent that a district's combined state and local revenue used to service eligible debt after the homestead exemption increase would be less than the state and local revenue that would have been available for debt service had the homestead

exemption not increased.

The bill would further entitle districts to ASAHE to the extent that combined state and local FSP revenues for maintenance and operations (M&O) with the increased homestead exemption would be less than the district's combined state and local revenue for M&O had the homestead exemption not increased.

The increased homestead exemption would apply beginning with the 2022 tax year.

Methodology

The bill's proposed increase in the residence homestead exemption would reduce local school district property tax revenue available to fund district entitlement under the FSP beginning with tax year 2022 (fiscal year 2023). Districts that experienced a revenue decrease would receive additional state aid through the FSP to maintain the level of combined state and local revenue they would have received had the homestead exemption not increased.

The Comptroller of Public Accounts assumes the provisions of the bill would result in a statewide decrease of \$52.3 billion in taxable property values for fiscal year 2023, a decrease of \$53.3 billion for fiscal year 2024, increasing to a reduction of \$55.5 billion for fiscal year 2026. Applying these property value decreases to the FSP model results in an estimated cost to Foundation School Fund No. 193 (General Revenue) of \$355.3 million in fiscal year 2023, \$386.4 million in fiscal year 2024, increasing to \$436.6 million in fiscal year 2026. Additionally, the model projects Recapture Payments- Attendance Credits would be reduced by \$84.0 million in fiscal year 2023, \$79.7 million in fiscal year 2024, increasing to \$116.8 million in fiscal year 2026.

Local Government Impact

School districts would experience a loss of local tax revenue as a result of implementing the provisions of the bill. This analysis assumes this lost revenue would be offset by additional state aid.

Source Agencies:

LBB Staff: JMc, KK, AH, ASA

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

87TH LEGISLATURE 3rd CALLED SESSION 2021

October 18, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1 by Bettencourt (relating to an increase in the amount of the exemption of residence homesteads from ad valorem taxation by a school district and the protection of school districts against the resulting loss in local revenue.), **Conference Committee Report**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source

Agencies:

LBB Staff: JMc, KK